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GATT: FROM THE TOKYO ROUND TO THE URUGUAY ROUND

by

Frank Stone

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The Institute for Research on Public Policy

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At the Canadian Mission in Geneva, he was responsible for Canadian interests in international organizations concerned with trade, economic and environmental issues, including the General Agreement on Tariffs and Trade (GATT). In the early 1970s he was seconded to Environment Canada, where he coordinated on the Canadian side the negotiations which led to the 1972 Canada-United States Agreement on Great Lakes Water Quality.

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NOTICE BIOGRAPHIQUE

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A la mission du Canada à Genève, il était chargé de faire valoir les intérêts du Canada dans les organismes internationaux traitant de questions relatives au commerce, à l'économie et à l'environnement, notamment l'Accord général sur les tarifs douaniers et le commerce (GATT). Au début des années soixante-dix, il a été détaché à Environnement Canada, où il a coordonné, à titre de représentant du Canada, les négociations qui ont abouti en 1972 à l'Accord entre le Canada et les États-Unis relatif à la qualité de l'eau dans les Grands Lacs.

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M. Stone a obtenu, en 1949, un diplôme en économie et en histoire de l'Université Queen's à Kingston (Ontario). Au cours de la Deuxième Guerre mondiale, il a servi dans l'Aviation royale du Canada à titre de pilote en Grande-Bretagne, en Afrique du Nord et en Europe occidentale.

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Frank Stone

GATT: FROM THE TOKYO ROUND TO THE URUGUAY ROUND

The Tokyo Round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) took place between 1973 and 1979. It achieved an impressive eight-year program of tariff reductions (mainly by the industrialized countries) on a most-favoured-nation basis, which further liberalized large sections of world trade. These reductions were substantial; they brought the average level of the tariffs of the industrialized countries well below 10 per cent. However, the negotiations left in place some relatively high tariffs in certain sectors, including textiles, clothing, footwear and some chemical products; and they also left in place many tariffs on the processed forms of agricultural and resource products, under "escalating" tariff systems that are designed to protect processing industries in importing countries.

The negotiations resulted in an elaboration and extension of the GATT rules in a number of areas, aimed both at codifying existing trade policy practices as well as at trade liberalization; in this regard the Tokyo Round was concerned as much with the management of trade flows as with the reduction of trade barriers. The Tokyo Round negotiations were unsuccessful in reducing distortions in world agricultural trade. They were also largely unsuccessful in rolling back the numerous quantitative controls on world trade, often imposed outside GATT under bilateral, "voluntary" agreements, and bringing these restrictions under the GATT rules that govern the use of "safeguard" import measures. The negotiations left in place, as well, the network of bilateral controls under the Multifibre Arrangement that limit exports of textiles and clothing from "low-cost" suppliers.

The Tokyo Round made no major changes in GATT as an institution, although it made some improvements in GATT procedures for the resolution of trade disputes, and introduced a period of more intensive use of these procedures. The Tokyo Round also reaffirmed and extended arrangements for special and differential treatment in favour of developing countries in GATT. It authorized continued preferences for exports from developing countries; and it adopted new provisions for the exchange of trade preferences among developing countries.

While the Tokyo Round left a good many issues unresolved, it achieved major advances in liberalizing world trade and extending the GATT rules. The negotiations were broader and more comprehensive than any since GATT was established in 1947-48, and they shaped the evolution of the international trade system over the following decade. The direction and content of the negotiations were determined in large part, but not entirely, by the world's three major economic powers -- the United States, the European Community and Japan. Canada participated closely in the negotiations, and made a full contribution in terms of reductions in its own tariffs and helping to design the ancillary codes and agreements that emerged from the Tokyo Round. The developing countries played a more active role in the Tokyo Round than in previous GATT negotiations. Although many were concerned with protecting their special position in the GATT, a number of developing countries were active in particular areas of the negotiations such as these concerned with trade in tropical and agricultural products, safeguards, subsidies, government procurement and institutional arrangements. However, the negotiations left intact highly restrictive trade systems maintained by many developing countries.(1)

The negotiations took place in a period of turbulance in the world economy; and the Tokyo Round was followed by a period of widespread and serious recession in North America and Western Europe, increased unemployment in many countries, a sharp decline in many commodity prices, continued inflation, record-breaking interest rates, and wide fluctuations in exchange rates. Critical problems emerged for heavily-indebted developing countries in Latin America, Africa and elsewhere, which continue to face formidable difficulty in servicing their international debts. In the years following the Tokyo Round there have been further shifts in patterns of world production and trade, with a relative decline in the role of the United States in the world economy, and the emergence of new sources of international competition in Japan and in the so-called newly - industrialized countries (NICs) in Asia and Latin America.

The depressed conditions in the world economy in the post-Tokyo Round period generated new pressures on governments for interventions to support and protect domestic industries, and led to a further proliferation of protectionist trade measures, often imposed on a bilateral basis outside the GATT, and to an erosion of confidence in the principles and rules of GATT. Serious frictions emerged among the main trading countries, especially in the areas of trade in agricultural products, automobiles and steel. Many observers of GATT in the early 1980s expressed serious apprehensions about a decline in the credibility of GATT and about the future of the system of cooperation in international trade, based on the GATT, that had been developed during the post-war period.(2)

In these difficult circumstances, a special meeting of trade ministers of the GATT Contracting Parties was held in Geneva in 1982. Not surprisingly, the results were disappointing in terms of dealing with the serious and urgent problems of world trade, holding back the "new protectionism" that had emerged in the trade system, making progress on the unfinished business left over from the Tokyo Round, or restoring confidence in the GATT. However, the 1982 Ministerial Meeting launched a program of studies and activities which after a four year period of gestation gave birth to the Uruguay Round of trade negotiations. The Uruguay Round of multilateral trade negotiations was launched formally in September 1986 at a meeting of trade ministers in Punta del Este, Uruguay; and on the basis of its agenda this new Round could turn out to be one of the most important events in the history of GATT since its beginning in 1947-48.

GATT Work Program 1982-84

As noted above, momentum in GATT during the period between 1982 and 1985 was provided mainly by the "Work Program" that was established by the 1982 GATT Ministerial meeting. The program covered, among other things, agricultural trade, quantitative restrictions and other non-tariff measures, the use of safeguards import measures, textiles and clothing trade, and dispute settlement procedures. This work, in all of which Canada actively participated, served to clarify outstanding issues and explore new areas for GATT activity and it provided a foundation of preparations for the new Uruguay Round in 1986. The main elements of this work program were as follows.(3)

Trade in agricultural products

A committee on trade in agriculture presented a report in 1984 that set the tone for on-going international debate in GATT, the Organization for Economic Cooperation and Development (OECD) and elsewhere, and laid out a framework for subsequent Uruguay Round negotiations in this area. In brief, the committee's report recommended that all quantitative restrictions and other related measures should be brought under strengthened GATT rules and disciplines, including restrictions maintained under waivers and the operations of state trading enterprises; and that rules and disciplines for agricultural trade should be elaborated to cover restraint arrangements, variable levies, unbound tariffs and minimum price arrangements. The report recommended that all subsidies, including export subsidies, should be brought under strengthened GATT rules. It also recommended the adoption of improved procedures to minimize adverse effects of sanitary and phytosanitary regulations on trade in agriculture. Further, the report recommended that the domestic policies and measures affecting agricultural trade should be subject to regular review and examination in GATT.

Quantitative restrictions and other non-tariff measures

Some of the most useful work commissioned by the 1982 Ministerial meeting was a review by a group of GATT countries of existing quantitative restrictions and other non-tariff measures, and the conformity of these measures with GATT rules, with the aim of bringing them into conformity with GATT and achieving progress in trade liberalization. The group focussed mainly on quantitative restrictions and other non-tariff measures affecting trade in

industrial products, other than those imposed on textiles and clothing which were regularly reviewed under the Multifibre Arrangement. It obtained lists of such measures both from countries maintaining them and countries whose exports were affected by them. The lists were long, and the group with the help of the Secretariat laboured over a three year period to refine and improve the list, country by country and product by product, raising a good deal of controversy in the process. By 1986, a data base had been prepared on quantitative restrictions and other non-tariff measures maintained on trade among GATT member countries, along with an analysis of the justification for such measures under GATT rules, and an "Inventory of Non-Tariff Measures (Industrial Products)" had been prepared. The work of the group demonstrated that little progress had been made over this three year period in the overall reduction of these numerous barriers to trade. The work of this group, among other things, showed the range of quantitative restrictions maintained by developing countries that they justified for balance-of-payments reasons.

Safeguards

The Tokyo Round negotiations had been unsuccessful in clarifying and strengthening the GATT rules that govern the use of safeguard import measures, and bringing under the GATT rules the restrictive measures that had been applied, outside GATT, in important sections of trade in ships, automobiles, steel and some other products. The 1982 Ministerial meeting requested the GATT Council to draw up "a comprehensive understanding on safeguards", and over the next two years a series of consultations were held with member countries in an attempt to reach such an understanding. However, a report by the Chairman of the Council in 1984 demonstrated that divergent views continued to exist on the

issues involved. It was a general view that the use of safeguards should be limited to situations where imports caused or threatened serious injury to domestic producers, and that safeguard measures should be temporary and progressively liberalized. It was also recognized that exporting countries should retain the right to retaliate against safeguard measures affecting their trade, although this right could not be effectively exercised in practice by developing countries. However, retaliatory measures should be avoided because of their disruptive effects on trade. At the same time, long standing differences continued to exist on whether safeguard measures should be global in their application or might be applied on a selective basis to exporting countries. There was also a lack of agreement on phasing out and prohibiting the so-called "grey area" arrangements that had been put in place outside the GATT rules, rather than in conformity with the provisions of Article XIX; and there was lack of agreement also on the notification and surveillance of "grey area" measures. These and other issues relating to the use of safeguards are high on the agenda of the Uruguay Round, and negotiations in this area are likely to be difficult.

Trade in textiles and clothing

At the 1982 Ministerial meeting it was agreed that the Contracting Parties should examine ways of bringing about further liberalization in the textiles and clothing sector, including possibilities for bringing this trade back under normal GATT rules, which would involve the abandonment of the Multifibre Arrangement and the controls under it on exports from "low cost" countries. In May 1984 the GATT Council established a working party to carry out this study. The working party met twelve times in 1984-85. Although it failed to develop any common views on the liberalization of world trade in textiles and clothing,

the work of this group increased pressure for the eventual termination of the Multifibre Arrangement. This issue is high on the agenda of the Uruguay Round.

Dispute settlement procedures

The 1982 Ministerial meeting did not call for any major changes in the GATT procedures for dispute settlement, but made a number of improvements in the operation of these procedures. At its annual meeting in November 1984 the Contracting Parties pointed to the need for clear understandings on the time frames for dispute settlement processes under the General Agreement and the Tokyo Round codes; on the process by which the recommendations of dispute panels were approved; and on follow-up action by member countries in response to decisions in GATT on disputes. However, no agreement was reached by the Contracting Parties on these basic issues. The only improvement made to the process was to establish a roster of non-governmental experts to serve on GATT dispute panels, who would be nominated by individual member countries. The GATT Director General was authorized to draw on this roster for panelists, especially in the event of deadlocks over the composition of panels. More far-reaching improvements in the GATT dispute settlement process are under discussion in the Uruguay Round.

Trade in natural resource products

The 1982 Ministerial meeting launched a study of particular importance to Canada and other exporters of non-ferrous metals and minerals, forestry products and fish and fisheries products. Problems of trade in these products were examined by a special working party over a two year period 1984-1986. It was found that trade in all three sectors was restricted by tariffs and a variety

of non-tariff measures; and that the tariffs of many importing countries "escalated" according to degree of processing, giving high levels of "effective protection" to their domestic processing industries. Trade barriers in the fisheries sector were especially numerous and mostly designed to encourage processing in importing countries; and trade in this sector was further complicated by limits on access to fisheries areas and changes in jurisdiction over these areas, as well as by bilateral agreements that linked access to markets to access to fisheries. The conclusion of the working party in 1986 was that in all three sectors trade liberalization could best be achieved through a process of multilateral negotiations, which by then were planned to take place.

Adoption of the Harmonized Tariff System

One major advance in the GATT system in the 1980s was the adoption by many GATT member countries, including Canada and other OECD countries, of the "Harmonized System" of tariff classification which had been developed by the Customs Cooperation Council in Brussels. Following the 1982 Ministerial meeting a GATT committee on tariffs coordinated the complex arrangements involved in the adoption of the new system, which will provide greater uniformity and simplicity among the tariffs of member countries, and will facilitate the conduct of trade and the analysis of trade data. It was agreed that conversion to the new system should not involve any changes in existing levels of protection, and it was recognized that the conversion would in some cases require negotiations with exporting countries. Many countries, including Canada, switched to the new Harmonized System at the beginning of 1988. The United States will adopt the new system at the beginning of 1989. The adoption of the new system involved the development by the GATT Secretariat of a data base

containing details of the tariffs of a number of the main trading countries, including Canada, which has been extended to cover non-tariff measures as well; and this data base is available to facilitate negotiations in the Uruguay Round.

Other elements of 1982 work program

Pursuant to the Ministerial meeting in 1982, and in response to pressure by the United States, a series of reviews took place of submissions on trade in services by a number of member countries, including Canada, which served to bring out the complex issues involved in negotiations for GATT rules in this area of trade. A special working party in a series of meetings in 1982-83 continued an analysis of the links between structural adjustment and trade policy. The GATT Committee on Trade and Development carried out a series of consultations with individual member countries, including Canada in 1985; it examined the operation of their trade policies in regard to developing countries; and reviewed action taken by individual developed countries to provide duty-free treatment for exports from the "least developed" countries. Canada now provides duty-free access for most products from forty-one least developed countries, with some exclusions for "sensitive" products such as textiles, clothing and footwear.

The Leutwiler Report

In 1983 the GATT Director General invited seven "eminent persons" to study and report on problems facing the international trade system. This group, under the chairmanship of Fritz Leutwiler of Switzerland, presented a report in 1985 that contains a perceptive analysis of the problems facing the GATT system and a set of far-reaching proposals for the reform of the system. The group

made fifteen recommendations, and a number of them found their way later on to the agenda of the Uruguay Round. Among their recommendations were the following:

"° We support the launching of a new round of GATT negotiations, provided they are directed toward the primary goal of strengthening the multilateral trading system and further opening world markets.

° A timetable and procedures should be established to bring into conformity with GATT rules voluntary export restraints, orderly marketing agreements, discriminatory import restrictions, and other trade policy measures of both developed and developing countries which are inconsistent with the obligations of contracting parties under the GATT.

° At the international level, trade policy and the functioning of the trading system should be made more open. Countries should be subject to regular oversight or surveillance of their policies and actions, about which the GATT Secretariat should collect and publish information.

° when Emergency "safeguard" protection for particular industries is needed, it should be provided only in accordance with the rules: it should not discriminate between different suppliers, should be time-limited, should be linked to adjustment assistance, and should be subject to continuing surveillance.

° Rules on subsidies need to be revised, clarified and made more effective. When subsidies are permitted they should be granted only after full and detailed scrutiny.

° Developing countries receive special treatment in the GATT rules. But such special treatment is of limited value. Far greater emphasis should be placed on permitting and encouraging developing countries to take advantage of their competitive strengths, and on integrating them more fully into the trading system, with all the appropriate rights and responsibilities that this entails.

° Trade in textiles and clothing should be fully subject to the ordinary rules of the GATT.

° To ensure continuous high-level attention to problems in international trade policy, and to encourage prompt negotiation of solutions to them, a permanent Ministerial-level body should be established in GATT.

° The health and even the maintenance of the trading system, and the stability of the financial system, are linked to a satisfactory resolution of the world debt problem, adequate flows of development finance, better international coordination of macroeconomic policies, and greater consistency between trade and financial policies."(4)

Regional Trade Arrangements

During the 1980s a number of new regional trade arrangements were formed among GATT members, including the free trade agreement between Canada and the United States that was signed in the autumn of 1987. While these arrangements will achieve a significant liberalization of world trade, they represent a further reduction in the amount of world trade that is conducted on a most-favoured-nation basis.

In 1983 a GATT working party concluded its examination of the accession in 1979 of Greece to the European Community. As in the case of many other regional trade arrangements, no agreement could be reached on whether the arrangements for the accession of Greece were compatible with GATT rules. At the beginning of 1986 Spain and Portugal acceded to the Community, enlarging it to twelve members. A GATT working party is examining the terms of accession of these two countries in the light of GATT rules, which has aroused considerable international controversy, especially between the Community and the United States because of adverse effects on United States exports of certain agricultural products to the new member countries.

The free trade agreement concluded between the United States and Israel was examined by a GATT working party in early 1987, but it did not arrive at a consensus as to its compatibility with GATT rules. The 1983 "Closer Economic

Cooperation Agreement" between New Zealand and Australia, which superseded an earlier free trade agreement, encountered fewer difficulties during its examination by GATT; in mid-1988 this agreement was further liberalized and extended and, among other things, it now will cover trade in services.

In the mid-1980s both Canada and the United States introduced special arrangements to assist the exports of Caribbean countries, which required the approval of the GATT Contracting Parties. In 1984 the United States obtained a waiver from GATT to cover its "Caribbean Basin Initiative", by which the United States accords duty-free treatment to most imports from a group of Caribbean and Central American countries. In 1986 Canada obtained a waiver from GATT to implement its "Caribcan" arrangement, whereby imports of most products from the Commonwealth Caribbean countries enter Canada free of duty.

In October 1987 Canada and the United States informed the GATT Council that they had initialled their free trade agreement, which will be examined by a GATT working party when it comes into force. The relationship between the Canada-United States agreement and the GATT system will be discussed in the following chapter.

Operation of the Tokyo Round Agreements

Since 1980 a new and important feature of GATT activities has been the operation of the various supplementary codes and agreements that were established by the Tokyo Round. Most of these codes and agreements were designed to clarify and elaborate important provisions of the General Agreement; others created new rules in areas not covered by the General

Agreement. Each has a committee of its members that meets regularly to oversee its operation, monitor measures taken by participating countries that are covered by its provisions, and help settle disputes among the participants.

The Uruguay Round involves a review of these Tokyo Round codes and agreements, and could result in changes in the provisions of some of them. Indeed, Agreement on Trade in Civil Aircraft was amended in 1985 to extend its coverage to further categories of products; and the Code on Government Procurement was amended in 1988 so as to lower the threshold of government purchases that are covered by it, and to cover leasing contracts.

The membership in these codes, as of June 1987, is as follows:

- Subsidies/Countervail — 25 members
- Anti-dumping — 24 members
- Technical Barriers — 37 members
- Government Procurement — 13 members
- Import Licencing — 27 members
- Customs Valuation — 28 members
- Civil Aircraft — 22 members
- Dairy Arrangements — 16 members
- Bovine Meat Arrangements — 26 members

The developed countries are participants in almost all these ancillary codes and agreements but it is evident that they have attracted only a limited number of developing countries; and the committees established by them have sought to

encourage broader membership by developing countries. Canada is a member of all of the Tokyo Round codes and agreements except the Dairy Arrangement.

The Multifibre Arrangement

In 1986 the Multifibre Arrangement (MFA) was extended for a period of five years by its forty-three members; this was the third extension of the MFA. The MFA now covers a broad range of textile and clothing products, including those made of cotton, artificial fibres, wool, silk and certain vegetable fibres, and blends of them. Over the years the MFA has become progressively more restrictive, and within its framework most of the developed countries have concluded bilateral arrangements with "low cost" developing country suppliers to restrict their exports. The operation of the MFA is overseen by the GATT Textiles Committee, on which all its members are represented. The Textiles Surveillance Body (TSB) monitors and supervises the detailed implementation of the MFA. This body consists of eight members and an independent chairman. During 1988 Canada is a member of the TSB; it rotates membership with the Nordic countries.

The future of the MFA is on the agenda of the Uruguay Round, where the negotiations will examine possibilities for its eventual termination and bringing trade in textiles and clothing back under normal GATT rules. This issue is one of the most controversial in the Uruguay Round.

Dispute Settlement in the 1980s

The use of independent panels in GATT to examine and assist the settlement of disputes has become more frequent over the past decade,

especially to deal with disputes among the United States, the European Economic Community (EEC), Japan and Canada. Between 1979 and 1988 over fifty disputes were referred to the GATT Council and some twenty-five of these disputes were dealt with under the panel process or are under consideration for the panel process. The others were settled by consultations between the parties in one way or another. In 1987 alone, sixteen disputes were brought before the GATT Council.

Canada was involved in twelve of these panel processes during 1979-1988. In eight of the cases Canada was the complainant either alone or in company with other countries: four cases involved measures taken by the United States, three involved measures by Japan, and two cases involved measures by the European Community. The other four cases involved complaints against Canada: two were by the United States, one by the European Community and one by South Africa. Nine of these twelve disputes involving Canada were resolved by the GATT process; in two recent cases Canada has announced action it will take in response to panel reports; and a further case involving a Canadian complaint against Japan is being examined by a panel.

The operation of the GATT dispute settlement process in the 1980s indicates that it is working reasonably successfully, and that it has become a major and much used feature of the GATT system. Most of the unsuccessful cases fall into two categories: disputes over agricultural trade, where the GATT rules are less precise and compliance with them is uneven; and disputes that are essentially political, such as Nicaragua's complaint against the U.S. trade embargo. In the 1970s the process bogged down in disputes over the DISC

program of the United States and the tax practices affecting exports followed by France, Belgium and the Netherlands; these cases essentially involved the operation of tax policies, as distinct from trade policies.

Recent experience has demonstrated some weaknesses in the GATT dispute settlement process. For one thing, a party to a dispute can block the process by denying a consensus decision by the GATT Council to appoint a panel, or to adopt a panel report. Without blocking the process, a party to a dispute may simply decline to carry out the agreed Council recommendations and take its chances on retaliation by the injured party. The developing countries have long complained that in practical terms the dispute resolution process of GATT cannot be used to deal with their complaints, because of their dependence on trade with larger, more powerful trading partners. And the process can sometimes lead to bilateral settlements of disputes that leave intact measures that may not be compatible with GATT rules.

These and other weaknesses in the GATT dispute resolution process are well recognized. In the preliminary stages of the Uruguay Round it is accepted that this important element of the GATT system calls for strengthening and reform, and a variety of proposals have been introduced to improve the system.

Separately from the dispute settlement processes under the General Agreement, the various supplementary codes and agreements concluded during the Tokyo Round have their own procedures for the resolution of disputes arising from their operation. Most of the disputes have arisen under the Code on Subsidies and Countervailing Duties; many of them were resolved without

bringing the panel process into operation, and some others remain unresolved. Two disputes involved Canada: they involved complaints by the European Community about Canadian countervailing duties on boneless manufacturing beef and on pasta products.

Growth of GATT Membership

In the 1980s, membership in GATT steadily expanded, demonstrating a broadening of interest in participation in the international trade system by developing countries. In 1980 eighty-five countries were members, two others had acceded provisionally and another thirty applied the General Agreement on a de facto basis. At the beginning of 1988 membership had increased to ninety-six. The eleven new members include the Phillipines (1980), Colombia (1981), Zambia (1981), Thailand (1982), the Maldives (1983), Belize (1983), Hong Kong (1986), Mexico (1986), Antigua and Barbuda (1986), Morocco (1987) and Lesotho (1988). Tunisia has been a provisional member for many years and is likely to become a full member in the near future. Applications for accession, as of the summer of 1988, had been made by a further seven countries: Algeria, Bulgaria, Costa Rica, El Salvador, Honduras, Bolivia and Guatemala. The Peoples Republic of China has also applied to resume its membership. This event will be of special importance. China was a founding member of GATT; it occupies an important position in world trade and China's resumption of membership is likely to contribute to significant changes in its economic and trade system. It is also significant that the Soviet Union has announced its interest in accession to GATT sometime in the future; its accession, if it takes place, would of course represent a major economic and political development in the world trade system.

The GATT Secretariat in the 1980s

Arthur Dunkel of Switzerland, who was appointed in 1980 as Director General to succeed Olivier Long, was reappointed in 1986 for a further three year term. The pace of GATT activities in the 1980s is reflected in the growth of the budget, which amounted in 1980 to around 50 million Swiss Francs and in 1987 to 61 million Swiss Francs (about Cdn $55 million). Canada contributes around 5 per cent of the budget, an amount determined by Canada's share of world trade.

The GATT Secretariat in 1987 numbered around three hundred and fifty. GATT continues to be regarded as among the best managed and most efficient of the United Nations organizations. Its budget finances the International Trade Centre (ITC) jointly with the United Nations Conference on Trade and Development (UNCTAD). The ITC operates a program of seminars and other activities in support of the trade promotion efforts of developing countries.

Developments in GATT leading to the Uruguay Round and the progress of the negotiations are described in readily available publications by the Secretariat. These include the annual series Basic Instrument and Selected Documents; an annual review titled GATT Activities; and the periodic newsletter GATT Focus. A special series of press releases, News of the Uruguay Round, describes the activities of the various groups that are carrying out negotiations on issues in the Uruguay Round. The Secretariat also publishes annually a series titled International Trade that contains a detailed analysis of world trends and issues in world trade, by main product categories and by geographic regions. Recently the Secretariat has introduced a new publication, Review of

Developments in the Trading System, which summarizes developments in the trade policies and practices of member countries; this new publication represents a significant evolution of the role played by GATT in monitoring the policies of member countries, and may foreshadow a further evolution of the surveillance function of GATT that is being discussed in the Uruguay Round.

All the above publications are available either free of charge or at various prices from the Secretariat, in English and French (some in Spanish).(5)

Preparations for the Uruguay Round

As noted earlier the first half of the 1980s was a period of great stress and disorder within the multilateral trade system. The GATT was widely perceived to be incapable of preventing the drift into protectionism and restrictive bilateral agreements; the system itself appeared to be threatened and rudderless; and serious frictions developed among the main trading countries. The United States was preoccupied with budgetary and trade deficits and with trade conflicts with the European Community and Japan. The European Community was engaged in the enlargement of its membership to include Greece, Spain and Portugal, and was preoccupated with bilateral trade relations with Japan. For its part, Japan made little effort to assume a leadership role corresponding to its eminence in world trade and finance. Canada was engaged first in a series of trade frictions with the United States and later with negotiations for a free trade agreement with its large neighbour. Many developing countries were heavily burdened by debt repayments and further tightened restrictions on their imports. Scholars and other GATT-watchers published studies that expressed despair about the future of GATT. Nevertheless, as noted above, within GATT a

variety of activities and events were taking place, beginning in 1982, that can be seen as a prelude to the far-reaching and complex set of negotiations that are now proceeding in the Uruguay Round.

The main trading countries, however, moved forward with hesitation and lack of enthusiasm towards a new round of negotiations. During 1984, the United States and Japan joined in calling for a new round, and Canada gave its support, but the European Community was disinterested, as were a number of developing countries. The subject was discussed, without coming to any decision, at a "Quadrilateral" meeting of in Tokyo in early 1985 of trade ministers from the European Community, United States, Canada and Japan. In May 1985, at the Bonn meeting of the Summit countries, the United States pressed unsuccessfully against the opposition of France for a decision on a date to open the negotiations. By July, a further meeting of the Quadrilateral group of trade ministers ended with agreement on holding a new round, with trade in services on the agenda. However, a number of developing countries continued to resist opening a new round of multilateral negotiations, partly because of their opposition to negotiations in the "new areas": -- trade in services, and the trade-related aspects of intellectual property and of foreign investment.

In a effort to force a decision, the United States called for a special session of the GATT Contracting Parties in September 1985; and at this meeting agreement was reached that "a preparatory process on the proposed new round of multilateral trade negotiations has now been initiated". Later, the regular annual session of the Contracting Parties in November established a preparatory committee to "prepare by mid-July 1986 recommendations for the program of

negotiations for adoption at a Ministerial Meeting to be held in September 1986."(6) This Ministerial meeting was held, as planned, in Punta del Este, Uruguay, under the chairmanship of the Uruguyan foreign minister.

The Punta del Este Declaration

The Declaration which formally launched the Uruguay Round and set the agenda for the negotiations is included as Annex 1. The agenda set by the Punta del Este Declaration is very ambitious. It covers virtually all of the unresolved issues in GATT, with agricultural trade issues high on the list. It is aimed at major new liberalization of world trade, involving the further removal of tariffs and non-tariff measures. It is designed to bring a large number of bilateral, restrictive trade arrangements within GATT disciplines. It proposes to enlarge substantially the area of GATT rules to cover trade in services, and the trade-related aspects of the protection of intellectual property and of barriers to foreign investment. It could lead to the active participation in the GATT of a larger number of member countries, especially the advanced developing countries. And the Round could well bring about a fundamental reform and strengthening of the system itself, involving new mechanisms for the surveillance of the domestic economic and trade policies of the member countries.

The drafting of the Declaration was a difficult process, especially with respect to the sections dealing with agricultural trade issues, trade in services and intellectual property. The process involved the emergence of coalitions of the middle sized and smaller member countries that were anxious to have the negotiations launched without delay. To begin this process, Canada joined with

Australia, New Zealand and the member countries of the European Free Trade Association (EFTA). This group was later enlarged to include some twenty like-minded developing countries, and then further enlarged to include the three larger economic powers, the United States, European Community and Japan. Outside this grouping, a coalition of ten developing countries was formed, led by India and Brazil, that were resisting the inclusion in the negotiations of the "new issues" — trade in services and the trade-related aspects of intellectual property and investment; these countries took the position that negotiations should be aimed primarily at resolving outstanding issues in GATT surrounding trade in goods.

Agreement on the text of the Declaration at Puntal del Este represented a difficult process of consensus-building, involving compromises not only on the text of many sections of the Declaration, but also on the structure and organization of the negotiations. One such compromise involved dividing the negotiations on trade in services from the negotiations on trade in goods, but placing both sets of negotiations under the direction of a Trade Negotiations Committee, on which all participating countries are represented.

This process of consensus-building in particular issue-areas within coalitions of like-minded countries has continued during the opening stages of the Uruguay Round negotiations. The so-called "Cairns group" is one such coalition; it comprises thirteen members, including nine developing countries, in pursuit of reducing distortions and obstacles to world trade in agricultural products. Canada is a member of the Cairns group, which also includes

Australia, New Zealand, Argentina, Thailand and other agricultural exporting countries, but not the United States, European Community or Japan. Another coalition is the so-called "de la Paix group", which includes Canada and a number of middle sized and smaller member countries, including several developing countries, that are concerned with advancing the negotiations on tariff reductions as well as some other elements of the negotiations.

The emergence of these and other broadly based coalitions of like-minded countries in pursuit of common interests in particular issues is only one of the features of the Uruguay Round that distinguishes it from earlier rounds of GATT negotiations. Another is the much broader range of issues covered by the negotiations, such as trade in services that have not until now been covered by the GATT. Another is the greater complexity of negotiations in many areas, where considerable uncertainty exists with respect to the nature and scope of multilateral rules that might be adopted. Further, the negotiations involve some possible fundamental changes in the nature of GATT as an organization, and of its authority for the monitoring and surveillance of the domestic policies of member countries that affect international trade. Finally, the Uruguay Round involves a larger group of countries in a world economy that has become more interdependent than ever before.(7)

Organization of the negotiations

The broad and complex structure of the Uruguay Round negotiations can be summarized as follows:

- The negotiations are open to all GATT contracting parties, provisional members, countries applying GATT on a de facto basis, countries which have notified their intention to negotiate terms of membership, and developing countries that by 30 April 1987 initiated procedures for accession to GATT and for negotiating terms of accession during the Uruguay Round. As of the summer of 1988 a total of 105 countries are participants in the Round.

- Only GATT contracting parties can participate in negotiations relating to the amendment or application of GATT provisions, or the negotiation of new provisions.

- Participants agreed "not to take any trade restrictive or distorting measures" inconsistent with GATT or its supplementary codes; not to use GATT-permitted measures which go beyond "that which is necessary to remedy specific situations"; and not to take trade measures designed to improve negotiating positions. A "Surveillance Body" was set up later to oversee commitments to these standstill and rollback commitments.

- Trade restrictive measures that are inconsistent with GATT or GATT codes are to be "phased out or brought into conformity" by the end of the Uruguay Round.

- A Trade Negotiations Committee (TNC) was established, with membership of all participants. A "Group on Negotiations on Goods"

(GNG) is carrying out the program of negotiations covering trade in goods. Arthur Dunkel, Director General of GATT, is chairman of both the TNC and the GNG. A "Group on Negotiations on Services" (GNS) is dealing with the negotiations in the services area; its chairman is Felipe Jaramillo of Colombia.

° The Group on Negotiations on Goods was authorized, among other things, to "designate the appropriate mechanism" for the surveillance of the commitments to standstill and rollback of trade restrictive measures; to establish negotiating groups as required; to decide on the inclusion of additional issues in the negotiations; and to coordinate the work of the various negotiating groups.

° The principle of "differential and more favourable treatment" for developing countries will apply to the negotiations. However, those countries at a higher stage of development are expected "to make contributions or negotiated concessions or take other mutually agreed action under the provisions and procedures of the General Agreement."

The "subjects for negotiations", apart from trade in services, as set out in the Declaration, were later assigned to fourteen negotiating groups, as follows:

- tariffs
- non-tariff measures
- natural resource-based products

- textiles and clothing
- agriculture
- tropical products
- GATT articles
- MTN agreements and arrangements
- safeguards
- subsidies and countervailing measures
- trade-related aspects of intellectual property rights, including trade in counterfeit goods (now known as TRIPS)
- dispute settlement
- trade-related investment measures (now known as TRIMS)
- functioning of the GATT system (now known as FOGS)

Each of the negotiating groups operates under a "negotiating plan" that sets out the objectives for the negotiations in the particular area, a plan for the initial phase of the negotiations, and a plan for subsequent stages. By the summer of 1988, all of these groups had held some one hundred meetings. To date, these meetings have mainly involved the submission of proposals by the participants and preliminary exchanges of views on them. A GATT report in August 1988 stated that "while there was concern that progress was unbalanced with respect to some negotiating groups, there was some considerable satisfaction at the overall pace and intensity of the work.(8)

Mid-Term Ministerial Meeting in Montreal

In mid-February 1988 the Trade Negotiations Committee decided to hold a "mid-term review" of the negotiations in Montreal beginning on

December 5, 1988. The Uruguyan Minister of Finance and Economy will chair this meeting of the Trade Negotiations Committee.

This meeting may be critical to the success of the negotiations. Particular attention will be focussed in Montreal on decisions on the negotiations on trade in agricultural products, and on whether the meeting will be able to agree on a framework for the negotiations in this area. Attention will also be focussed on the processes by which further reductions in tariffs can be achieved; on offers to reduce tariffs and other barriers to trade in tropical products, which might be implemented at an early stage in the negotiations; and on the approach to negotiations in the areas of trade in services and the trade-related aspects of intellectual property. Agreement might be reached in Montreal on some of the proposals for strengthening the GATT system, for example, by extending the role of GATT in monitoring and reporting on developments in the trade policies of member countries, and by improving the GATT processes for the resolution of disputes.

Developing Countries in the Uruguay Round

For many years the effectiveness of the GATT system has been weakened by perceptions in many developing countries that the international system of trade and payments embodied in the GATT and the international financial institutions were irrelevant or even hostile to their interests. These perceptions were understandable. The developed, industrialized countries, while declaring their dedication to a liberal trade system, continued to maintain a variety of

tariff and non tariff barriers to exports from developing countries and have imposed progressively more restrictive controls on their imports of textiles, clothing and some other products from developing country sources.

In recent years the divisions and confrontations between the groups of developed and developing countries have moderated, reflecting in part changes in patterns of world production and trade. Many developing countries are playing a more active, constructive role in GATT activities; there is a growing recognition that a liberal world trade and payments system based on internationably agreed rules serves the interests of all countries and has special advantages for smaller, weaker countries; and there is evidence of a growing recognition among developing countries of their responsibility for the maintenance of an orderly, rule oriented trade system.(9)

As noted earlier, many developing countries were active in the preparations for the Uruguay Round; they participated in the drafting of the Punta del Este Declaration of September 1986 which launched the Round; and they are active in the fifteen groups which have opened negotiations on particular issues in Geneva. The developing countries have a varied range of interests in the Round, reflecting their particular patterns of production and trade. Their participation in the negotiations is uneven. The smaller, least developed countries in sub-Saharan African and elsewhere face particular problems in providing the personnel and other resources in Geneva and their capitals that are needed to follow and participate in the detailed negotiations.

This paper does not attempt to analyse the numerous and complex issues on the agenda of the Uruguay Round, nor to analyse the special interests of developing countries in regard to these issues. Nevertheless, it may be assumed that in the opening stages of the negotiations the participating developing countries are giving special attention to the following issues:

- the implementation of commitments on the standstill and rollback of protectionist trade measures, especially those affecting the exports of developing countries;

- evidence of early progress in the removal of tariffs and other barriers by the main trading countries to exports of the least developed countries, including tariffs and other barriers to their exports of agricultural products, processed resource products and manufactured products;

- early progress in the removal by the main trading countries of tariffs and other barriers to the exports of tropical products, including the processed forms of tropical products;

- prospects for improvement of the GATT rules governing the use of "safeguard" import measures; for bringing so-called "grey area" measures under GATT disciplines; and for resisting proposals for the "selective" use of GATT safeguard measures against particular exporting countries;

- early agreement on a framework for the removal of distortions and trade restrictions in the agricultural sector, for the reduction of subsidies especially by the main trading countries, and for bringing agricultural trade more effectively under GATT rules and disciplines;

- progress towards agreement on the abandonment of the Multifibre Arrangement, for the phasing out of restrictive arrangements under the MFA, and for bringing trade in textiles and clothing back under the normal GATT rules;

- reducing most-favoured - nation tariffs especially on products of export interest to developing countries, and in sectors where preferential tariff rates have not been introduced for exports of developing countries;

- early agreement on strengthening the monitoring and surveillance functions of GATT, so as to bring to light and analyse the evolving trade policies and practices of all member countries; and introducing regular meetings at the Ministerial level for discussions of important issues in the world trade system;

- early progress towards more effective coordination between GATT, the International Monetary Fund, the World Bank and other international banks;

- proposals for strengthening the GATT dispute settlement provisions in ways that make the process more open for use by developing countries;

- progress in the liberalization of the trade regimes of the developing countries, in support of their own economic development and as a contribution to the achievement of a more liberal world trade system;

- progress towards the "graduation" of the more advanced developing countries, in ways which avoid increasing barriers to their exports but which involve acceptance by them of the normal rules of GATT;

- clarification of the issues surrounding proposals for extending GATT rules to cover trade in services, the trade related aspects of the protection of intellectual property and the trade related aspects of controls on foreign investment.(10)

The outcome of negotiations on issues of special interest to developing countries cannot, of course, be foreseen at this stage. But the list of these issues indicates the large stake of developing countries in the Uruguay Round; and it indicates, as well, that the active participation of the developing countries in the negotiations is essential to a successful, balanced outcome. The Uruguay Round offers new opportunities for developing countries, individually and collectively, to redefine their role in the GATT system, to participate in shaping the agenda of the trade system over the next decade, and to pursue their separate and common objectives at the negotiating table, in cooperation with other GATT members with similar objectives. In particular, these countries

stand to gain from the further liberalization of world trade in sectors of special interest to them; and their role in the system would be strengthened by the institutional reforms that are under discussion, such as for stronger monitering and surveillance functions for GATT.

NOTES

1. An account of developments during the Tokyo Round and the outcome of the negotiations is in GATT, Director-General, The Tokyo Round of Multilateral Trade Negotiations (1979) and Supplementary Report (1980), Geneva, The Secretariat. A short review of the Tokyo Round is in Frank Stone, Canada, the GATT and the International Trade System, Montreal, The Institute for Research on Public Policy, 1984, pp. 176-193.

2. Good accounts of strains in the GATT system in the early 1980s are in Miriam Camps and William Diebold, Jr., The New Multilateralism: Can the World Trading System be Saved?, New York, Council on Foreign Relations, 1983; and Amnuay Viravan and others, Trade Routes to Sustained Economic Growth: Report for the United Nations by a Study Group of the Trade Policy Research Centre, London, MacMillan, for the United Nations, 1987.

3. The GATT Work Program is set out in the Declaration adopted at the end of the November 1982 Ministerial Meeting, and is contained in GATT, Basic Instruments and Selected Documents, Twenty-ninth Supplement, Geneva, The Secretariat, 1983. Accounts of activities under the Work Program are contained in the Thirtieth Supplement (1984); the Thirty-first Supplement (1985); and the Thirty-second Supplement (1986).

4. The Leutwiler Report is in Trade Policies for a Better Future: Proposals for Action. Report to the GATT Director-General by a Group of Eminent Persons, Geneva, GATT Secretariat, 1985.

5. Orders for GATT publications can be place with the Information Service of the General Agreement on Tariffs and Trade, Centre William Rappard, 154, rue de Lausanne, CH-1211 Geneva 21, Switzerland.

6. The Decision adopted by the GATT Contracting Parties at the Special Session in October 1985, and the Decision of the Contracting Parties at their Forty-first Session in November 1985 on the establishment of the preparatory committee are in Basic Instruments and Selected Documents, Thirty-second Supplements, Geneva: GATT Secretariat, 1986.

7. There are several good studies of issues in the Uruguay Round; these include Gary Clyde Hufbauer and Jeffrey J. Schott, Trading for Growth: The Next Round of Trade Negotiations, Institute for International Economics, Washington, D.C., 1985; and J. Michael Finger and Andrzej Olechowski, editors, The Uruguay Round: A Hand Book on the Multilateral Trade Negotiations, World Bank. Washington, D.C., 1987.

8. The negotiating structure and negotiating plans for all the issues affecting trade in goods, together with the program for the initial phase of the negotiations on trade in services and the organization of the surveillance mechanism to oversee the "standstill" and the "rollback" commitments are set out in a Decision of the Trade Negotiations Committee of January 28, 1988; this Decision is in Basic Instruments and Selected Documents, Thirty-third Supplement, Geneva, GATT Secretariat, 1987. Accounts of the activities of the negotiating groups are contained in the series "News of the Uruguay Round of Multilateral Trade Negotiations"; eighteen issues in this series were released between March 1987 and August 1988.

9. There is a considerably body of recent literature on the participation of developing countries in GATT; these include Sidney Golt, Developing Countries in the GATT System, Trade Policy Research Centre, London, 1978; Global Strategy for Growth; a Report on North South Issues, by a study group under the chairmanship of Lord McFadzean, Trade Policy Research Centre, London, 1981; T.N. Srinivasan, "Why Developing Countries Should Participate in the GATT System", in the World Economy, March 1982; and Robert E. Hudec, Developing Countries in the GATT Legal System, Trade Policy Research Centre, London, 1987.

10. A study by the Commonwealth Secretariat "The Uruguay Round of Multilateral Trade Negotiations"; London, 1987, covers many issues of special interest to developing countries. A "Statement on the Uruguay Round" by the South Commission, Geneva, 1988, contains an analysis of issues of special concern to developing countries, following a traditional "Group of 77" approach. The World Bank handbook The Uruguay Round, referred to in note 7 above, contains several articles on issues of special interest to developing countries.

PRESS COMMUNIQUÉ
RELEASE DE PRESSE

GENERAL AGREEMENT ON TARIFFS AND TRADE
ACCORD GENERAL SUR LES TARIFS DOUANIERS ET LE COMMERCE

CENTRE WILLIAM-RAPPARD, 154, RUE DE LAUSANNE, 1211 GENÈVE 21, TÉL. 022 31 02 31

Text as received from Punta del Este

GATT/1396
25 September 1986

MINISTERIAL DECLARATION ON THE URUGUAY ROUND

Ministers, meeting on the occasion of the Special Session of CONTRACTING PARTIES at Punta del Este, have decided to launch Multilateral Trade Negotiations (The Uruguay Round). To this end, they have adopted the following Declaration. The multilateral trade negotiations (MTN) will be open to the participation of countries as indicated in Parts I and II of this Declaration. A Trade Negotiations Committee (TNC) is established to carry out the negotiations. The Trade Negotiations Committee shall hold its first meeting not later than 31 October 1986. It shall meet as appropriate at Ministerial level. The Multilateral Trade Negotiations will be concluded within four years.

MORE

PART I

NEGOTIATIONS ON TRADE IN GOODS

The CONTRACTING PARTIES meeting at Ministerial level

DETERMINED to halt and reverse protectionism and to remove distortions to trade

DETERMINED also to preserve the basic principles and to further the objectives of the GATT

DETERMINED also to develop a more open, viable and durable multilateral trading system

CONVINCED that such action would promote growth and development

MINDFUL of the negative effects of prolonged financial and monetary instability in the world economy, the indebtedness of a large number of less-developed contracting parties, and considering the linkage between trade, money, finance and development

DECIDE to enter into Multilateral Trade Negotiations on trade in goods within the framework and under the aegis of the General Agreement on Tariffs and Trade.

A. OBJECTIVES

Negotiations shall aim to:

(i) bring about further liberalization and expansion of world trade to the benefit of all countries, especially less-developed contracting parties, including the improvement of access to markets by the reduction and elimination of tariffs, quantitative restrictions and other non-tariff measures and obstacles;

(ii) strengthen the rôle of GATT, improve the multilateral trading system based on the principles and rules of the GATT and bring about a wider coverage of world trade under agreed, effective and enforceable multilateral disciplines;

(iii) increase the responsiveness of the GATT system to the evolving international economic environment, through facilitating necessary structural adjustment, enhancing the relationship of the GATT with the relevant international organizations and taking account of changes in trade patterns and prospects,

MORE

including the growing importance of trade in high-technology products, serious difficulties in commodity markets and the importance of an improved trading environment providing, inter alia, for the ability of indebted countries to meet their financial obligations;

(iv) foster concurrent co-operative action at the national and international levels to strengthen the interrelationship between trade policies and other economic policies affecting growth and development, and to contribute towards continued, effective and determined efforts to improve the functioning of the international monetary system and the flow of financial and real investment resources to developing countries.

B. GENERAL PRINCIPLES GOVERNING NEGOTIATIONS

(i) Negotiations shall be conducted in a transparent manner, and consistent with the objectives and commitments agreed in this Declaration and with the principles of the General Agreement in order to ensure mutual advantage and increased benefits to all participants.

(ii) The launching, the conduct and the implementation of the outcome of the negotiations shall be treated as parts of a single undertaking. However, agreements reached at an early stage may be implemented on a provisional or a definitive basis by agreement prior to the formal conclusion of the negotiations. Early agreements shall be taken into account in assessing the overall balance of the negotiations.

(iii) Balanced concessions should be sought within broad trading areas and subjects to be negotiated in order to avoid unwarranted cross-sectoral demands.

(iv) CONTRACTING PARTIES agree that the principle of differential and more favourable treatment embodied in Part IV and other relevant provisions of the General Agreement and in the Decision of the CONTRACTING PARTIES of 28 November 1979 on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries applies to the negotiations. In the implementation of standstill and rollback, particular care should be given to avoiding disruptive effects on the trade of less-developed contracting parties.

(v) The developed countries do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of developing countries, i.e. the developed countries do not expect the developing countries, in the course of trade negotiations, to

make contributions which are inconsistent with their individual development, financial and trade needs. Developed contracting parties shall therefore not seek, neither shall less-developed contracting parties be required to make, concessions that are inconsistent with the latter's development, financial and trade needs.

(vi) Less-developed contracting parties expect that their capacity to make contributions or negotiated concessions or take other mutually agreed action under the provisions and procedures of the General Agreement would improve with the progressive development of their economies and improvement in their trade situation and they would accordingly expect to participate more fully in the framework of rights and obligations under the General Agreement.

(vii) Special attention shall be given to the particular situation and problems of the least-developed countries and to the need to encourage positive measures to facilitate expansion of their trading opportunities. Expeditious implementation of the relevant provisions of the 1982 Ministerial Declaration concerning the least-developed countries shall also be given appropriate attention.

C. STANDSTILL AND ROLLBACK

Commencing immediately and continuing until the formal completion of the negotiations, each participant agrees to apply the following commitments:

Standstill

(i) not to take any trade restrictive or distorting measure inconsistent with the provisions of the General Agreement or the Instruments negotiated within the framework of GATT or under its auspices;

(ii) not to take any trade restrictive or distorting measure in the legitimate exercise of its GATT rights, that would go beyond that which is necessary to remedy specific situations, as provided for in the General Agreement and the Instruments referred to in (i) above;

(iii) not to take any trade measures in such a manner as to improve its negotiating positions.

Rollback

(i) that all trade restrictive or distorting measures inconsistent with the provisions of the General Agreement or Instruments

negotiated within the framework of GATT or under its auspices, shall be phased out or brought into conformity within an agreed timeframe not later than by the date of the formal completion of the negotiations, taking into account multilateral agreements, undertakings and understandings, including strengthened rules and disciplines, reached in pursuance of the objectives of the negotiations;

(ii) there shall be progressive implementation of this commitment on an equitable basis in consultations among participants concerned, including all affected participants. This commitment shall take account of the concerns expressed by any participant about measures directly affecting its trade interests;

(iii) there shall be no GATT concessions requested for the elimination of these measures.

Surveillance of standstill and rollback

Each participant agrees that the implementation of these commitments on standstill and rollback shall be subject to multilateral surveillance so as to ensure that these commitments are being met. The Trade Negotiations Committee will decide on the appropriate mechanisms to carry out the surveillance, including periodic reviews and evaluations. Any participant may bring to the attention of the appropriate surveillance mechanism any actions or omissions it believes to be relevant to the fulfilment of these commitments. These notifications should be addressed to the GATT secretariat which may also provide further relevant information.

D. SUBJECTS FOR NEGOTIATIONS

Tariffs

Negotiations shall aim, by appropriate methods, to reduce or, as appropriate, eliminate tariffs including the reduction or elimination of high tariffs and tariff escalation. Emphasis shall be given to the expansion of the scope of tariff concessions among all participants.

Non-tariff measures

Negotiations shall aim to reduce or eliminate non-tariff measures, including quantitative restrictions, without prejudice to any action to be taken in fulfilment of the rollback commitments.

Tropical products

Negotiations shall aim at the fullest liberalization of trade in tropical products, including in their processed and semi-processed forms

and shall cover both tariff and all non-tariff measures affecting trade in these products.

CONTRACTING PARTIES recognize the importance of trade in tropical products to a large number of less-developed contracting parties and agree that negotiations in this area shall receive special attention, including the timing of the negotiations and the implementation of the results as provided for in B(ii).

Natural resource-based products

Negotiations shall aim to achieve the fullest liberalization of trade in natural resource-based products, including in their processed and semi-processed forms. The negotiations shall aim to reduce or eliminate tariff and non-tariff measures, including tariff escalation.

Textiles and clothing

Negotiations in the area of textiles and clothing shall aim to formulate modalities that would permit the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines, thereby also contributing to the objective of further liberalization of trade.

Agriculture

CONTRACTING PARTIES agree that there is an urgent need to bring more discipline and predictability to world agricultural trade by correcting and preventing restrictions and distortions including those related to structural surpluses so as to reduce the uncertainty, imbalances and instability in world agricultural markets.

Negotiations shall aim to achieve greater liberalization of trade in agriculture and bring all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines, taking into account the general principles governing the negotiations, by:

(i) improving market access through, inter alia, the reduction of import barriers;

(ii) improving the competitive environment by increasing discipline on the use of all direct and indirect subsidies and other measures affecting directly or indirectly agricultural trade, including the phased reduction of their negative effects and dealing with their causes;

(iii) minimizing the adverse effects that sanitary and phytosanitary regulations and barriers can have on trade in agriculture, taking into account the relevant international agreements.

In order to achieve the above objectives, the negotiating group having primary responsibility for all aspects of agriculture will use the Recommendations adopted by the CONTRACTING PARTIES at their Fortieth Session, which were developed in accordance with the GATT 1982 Ministerial Programme and take account of the approaches suggested in the work of the Committee on Trade in Agriculture without prejudice to other alternatives that might achieve the objectives of the negotiations.

GATT Articles

Participants shall review existing GATT Articles, provisions and disciplines as requested by interested contracting parties, and, as appropriate, undertake negotiations.

Safeguards

(i) A comprehensive agreement on safeguards is of particular importance to the strengthening of the GATT system and to progress in the MTNs.

(ii) The agreement on safeguards:

- shall be based on the basic principles of the General Agreement;

- shall contain, inter alia, the following elements: transparency, coverage, objective criteria for action including the concept of serious injury or threat thereof, temporary nature, degressivity and structural adjustment, compensation and retaliation, notifications, consultation, multilateral surveillance and dispute settlement; and

- shall clarify and reinforce the disciplines of the General Agreement and should apply to all contracting parties.

MTN Agreements and Arrangements

Negotiations shall aim to improve, clarify, or expand, as appropriate, agreements and arrangements negotiated in the Tokyo Round of Multilateral Negotiations.

Subsidies and countervailing measures

Negotiations on subsidies and countervailing measures shall be based on a review of Articles VI and XVI and the MTN agreement on subsidies and countervailing measures with the objective of improving GATT disciplines relating to all subsidies and countervailing measures that affect international trade. A negotiating group will be established to deal with these issues.

Dispute settlement

In order to ensure prompt and effective resolution of disputes to the benefit of all contracting parties, negotiations shall aim to improve and strengthen the rules and the procedures of the dispute settlement process, while recognizing the contribution that would be made by more effective and enforceable GATT rules and disciplines. Negotiations shall include the development of adequate arrangements for overseeing and monitoring of the procedures that would facilitate compliance with adopted recommendations.

Trade-related aspects of intellectual property rights, including trade in counterfeit goods

In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines.

Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.

These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters.

Trade-related investment measures

Following an examination of the operation of GATT Articles related to the trade restrictive and distorting effects of investment measures, negotiations should elaborate, as appropriate, further provisions that may be necessary to avoid such adverse effects on trade.

E. FUNCTIONING OF THE GATT SYSTEM

Negotiations shall aim to develop understandings and arrangements:

(i) to enhance the surveillance in the GATT to enable regular monitoring of trade policies and practices of contracting parties and their impact on the functioning of the multilateral trading system;

(ii) to improve the overall effectiveness and decision-making of the GATT as an institution, including, inter alia, through involvement of Ministers;

(iii) to increase the contribution of the GATT to achieving greater coherence in global economic policy-making through strengthening its relationship with other international organizations responsible for monetary and financial matters.

F. PARTICIPATION

(a) Negotiations will be open to:

(1) all contracting parties,

(2) countries having acceded provisionally,

(3) countries applying the GATT on a de facto basis having announced, not later than 30 April 1987, their intention to accede to the GATT and to participate in the negotiations,

(4) countries that have already informed the CONTRACTING PARTIES, at a regular meeting of the Council of Representatives, of their intention to negotiate the terms of their membership as a contracting party, and

(5) developing countries that have, by 30 April 1987, initiated procedures for accession to the GATT, with the intention of negotiating the terms of their accession during the course of the negotiations.

(b) Participation in negotiations relating to the amendment or application of GATT provisions or the negotiation of new provisions will, however, be open only to contracting parties.

G. ORGANIZATION OF THE NEGOTIATIONS

A Group of Negotiations on Goods (GNG) is established to carry out the programme of negotiations contained in this Part of the Declaration. The GNG shall, inter alia;

(i) elaborate and put into effect detailed trade negotiating plans prior to 19 December 1986;

(ii) designate the appropriate mechanism for surveillance of commitments to standstill and rollback;

(iii) establish negotiating groups as required. Because of the interrelationship of some issues and taking fully into account the general principles governing the negotiations as

stated in B(iii) above it is recognized that aspects of one issue may be discussed in more than one negotiating group. Therefore each negotiating group should as required take into account relevant aspects emerging in other groups;

(iv) also decide upon inclusion of additional subject matters in the negotiations;

(v) co-ordinate the work of the negotiating groups and supervise the progress of the negotiations. As a guideline not more than two negotiating groups should meet at the same time;

(vi) the GNG shall report to the Trade Negotiations Committee.

In order to ensure effective application of differential and more favourable treatment the GNG shall, before the formal completion of the negotiations, conduct an evaluation of the results attained therein in terms of the Objectives and the General Principles Governing Negotiations as set out in the Declaration, taking into account all issues of interest to less-developed contracting parties.

PART II

NEGOTIATIONS ON TRADE IN SERVICES

Ministers, also decided, as part of the Multilateral Trade Negotiations, to launch negotiations on trade in services.

Negotiations in this area shall aim to establish a multilateral framework of principles and rules for trade in services, including elaboration of possible disciplines for individual sectors, with a view to expansion of such trade under conditions of transparency and progressive liberalization and as a means of promoting economic growth of all trading partners and the development of developing countries. Such framework shall respect the policy objectives of national laws and regulations applying to services and shall take into account the work of relevant international organizations.

GATT procedures and practices shall apply to these negotiations. A Group on Negotiations on Services is established to deal with these matters. Participation in the negotiations under this Part of the Declaration will be open to the same countries as under Part I. GATT secretariat support will be provided, with technical support from other organizations as decided by the Group on Negotiations on Services.

The Group on Negotiations on Services shall report to the Trade Negotiations Committee.

IMPLEMENTATION OF RESULTS UNDER PARTS I AND II

When the results of the Multilateral Trade Negotiations in all areas have been established, Ministers meeting also on the occasion of a Special Session of CONTRACTING PARTIES shall decide regarding the international implementation of the respective results.

END

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* No longer available. Published in Canada Among Nations 1984: A Time of Transition, edited by Brian W. Tomlin and Maureen Molot. (Toronto: James Lorimer, 1985), Chapter 5.

** No longer available. Published as "Bilateralism in a Multilateral World," International Perspectives (March/April 1985) 23-6.

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